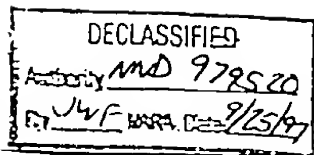


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SCOPE ANALYSIS: U.S.-PRC NORMALIZATION AT A TURNING POINT

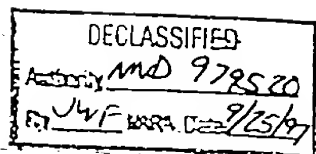
Overview

In your mid-October interview with James Reston you characterized world political relations as "delicately poised right now," at a turning point which could be either the beginning of a period of creativity or the onset of a time of extraordinary disarray. The same could be said in particular for the state of our relations with the People's Republic of China on the eve of your late November trip to Peking. Your forthcoming visit could: (a) contribute to an institutional breakthrough which would consolidate the gains of the past three years; (b) lead to a gradual stalling out of the normalization process with erosion of the confidence and the cooperative informal relationship which has been carefully built up during your six previous trips; or (c) somewhat more likely, produce a period of mutual reconsideration as both we and the Chinese re-evaluate our respective terms for a solution of the Taiwan problem in view of the prospect of either a breakthrough or a gradual stalling out.

The core issue to be explored on this trip is, of course, whether there is a mutually acceptable way of handling the question of Taiwan's future as a basis for establishing formal diplomatic relations between the U.S. and PRC. At the same time, there are other important issues which will influence the PRC's willingness to accommodate our needs on the Taiwan question: their perception of the state of our relations with the Soviet Union and intentions regarding the evolution of "detente"; their estimate of our current domestic political and economic strengths and national will; their overall assessment of the future prospects for the U.S., Europe, and Japan in the light of global economic developments; and their own internal political situation.

This scope analysis explores the various factors which will shape the mood of your trip, and outlines the major issues that will be the focus of your discussions with Chinese leaders. [We will provide talking points for an introductory presentation in your trip books, which will also include papers on specific issues -- along with related talking points -- and CIA assessments of the PRC's domestic political and economic situation and foreign policy posture.]

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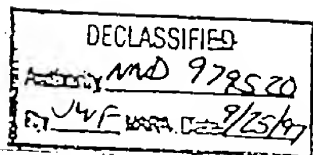
Your late November trip to the PRC is likely to rank in importance behind only your secret July, 1971 visit and the President's February, 1972 trip in the process of U.S. - PRC normalization. The future of Taiwan is the core question. This is not to say, however, that you will have to make final decisions on this visit. Rather, we see you deepening the process of testing the limits of what is possible with Peking regarding normalization which you began during your October 2nd dinner session with Ch'iao Kuan-hua, and setting the stage for further exchanges. We think it possible that there will be a deadlock on the question of whether or not there can be a guarantee for a "peaceful transition" for the island.

At the same time, the other aspects of our relationship with the PRC -- mutually reinforcing policies on international issues, trade, and exchange contacts -- can be explored, with some proposals laid in place as demonstrations of interest in moving further toward a fully normalized relationship. Such "side" issues, however, will probably not become fully activated until a basic political decision to normalize has been reached; and a mutual standoff might occur on this trip as both sides test the limits of an accommodation. In this sense, your November visit is likely to be the precursor of one further trip -- perhaps in mid-1975 -- which might see the final determination of a normalization agreement and set the stage for a second presidential trip to Peking in late 1975 or the spring of 1976 to consummate the normalization process.

The Soviet Factor

The up-coming trip occurs, however, under conditions which differ significantly from your July, 1971 secret visit. That trip occurred under conditions where the PRC felt under an immediate military threat from the Soviet Union. Today, while the sense of a long-term geopolitical challenge from the Soviets remains, Peking apparently believes that the threat of an imminent Russian military action against them has subsided. This line, as you well know, has been conveyed to us at a number of levels, probably because the Chinese fear that we will expect them to give too much in order to consolidate our relationship. There is thus a combination of some gamesmanship and a genuine appraisal of the Soviet challenge in the PRC line.

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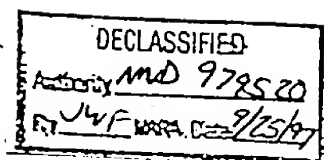
At the same time, we have reliable evidence that Peking is telling its own cadre on a confidential basis that war between the U.S. and Soviet Union is inevitable, and that the Russians are concentrating the major proportion of their strategic forces against the West rather than the East. A "hard" British source, which was recently conveyed to us through SRF channels, indicates that this line was used during the past summer in a foreign policy briefing for high-level cadre in Hong Kong.

The briefing explicitly states that the interpretation of the Sino-Soviet dispute held by many Western observers -- that the Soviet troop build-up on the PRC's northern frontier colors most of China's domestic and foreign policies and explains the Sino-U.S. rapprochement -- is wrong. The Chinese analysis states that this perspective is over-drawn, that while the Soviets do constitute a long-term threat to China they are just "feinting toward the East" while directing the bulk of their military and political efforts against the U.S. and Europe. PRC leaders have propagated this interpretation rather actively in diplomatic contacts in recent months. Vice Premier Teng Hsiao-p'ing stressed it to the visiting Fulbright Congressional delegation in September, and he disparagingly told Danish Premier Hartling in October that predictions from "reliable American sources" of a war between China and Russia had obviously proven to be incorrect.

Exactly how much Chinese leaders really believe this line can be debated. Given the fifth successive launch failure on November 5th in their efforts to develop an ICBM vehicle, the Chinese obviously can't be complacent about their defense situation. Peking seems to be facing a complex set of political requirements in propagating the "we're not worried about the Russians" theme. On the one hand the leadership clearly doesn't want either foreigners or their own people to believe they are panicked by the Soviet threat. Indeed, one possible partial interpretation of this more relaxed view is that they are downplaying the Russian menace as a way of undercutting the power of the Chinese military. If the threat were so great, would go the PLA counter-argument, then the military should have a greater say about political decisions (as, for example, the need for China to reduce the level of tension in the Sino-Soviet conflict) and the allocation of scarce resources for defense.

On the other hand, Mao cannot downplay the Soviet problem too much or he will destroy the rationale for his "anti-revisionist" foreign policy.

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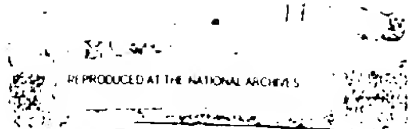
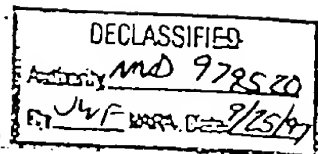
It is interesting to note in this regard that the confidential Hong Kong briefing includes the sharp warning that "China will prepare for eventual war [with the Russians] and to this end she will stamp out all revisionist elements in her own territory who might otherwise become 'Fifth Columnists' in a war against the Soviet Union."

Exactly how much opposition exists within China to Mao's anti-Soviet line is, of course, almost impossible to estimate. We would just note that a plausible interpretation can be made -- on the basis of polemical materials which have appeared in PRC media over the past year, in conjunction with the now-fading anti-Lin Piao campaign -- that there may have been a serious debate on national security issues and a policy of maintaining a high-level of political tension with the Soviets. While the Chairman does not appear to have lost basic political control, he seems to be resorting to unusually active efforts to maintain support for his policies. We know, for example, that the Chairman spent much of the summer and fall out in the provinces receiving a succession of local leaders -- apparently in an attempt to build a consensus for a range of issues.

That Mao's policy toward the Soviet Union has been among the topics of leadership debate has been suggested by the way the PRC handled the case of a group of Soviet diplomats who were expelled from Peking on charges of spying last spring, and the manner in which they have used a captured Russian helicopter crew to convey the message that the Russians remain the primary enemy (implying that some comrades doubted that fact). In recent days, however, the Chinese backed off from a public show-trial of the helicopter crew (as was reported by diplomatic sources in Moscow), and on November 7 PRC media broadcast a conciliatory message of greeting to the Soviet Union on the anniversary of the Bolshevik Revolution calling for conclusion of an agreement on mutual nonaggression and nonuse of force in order to establish "friendly and good-neighborly relations."

It remains to be seen how much these developments represent pressures from within China for a new orientation toward the Soviets, as opposed to just tactical moves by the Chairman to cope with a variety of domestic and international concerns -- including an effort to put psychological pressure on us in advance of the Vladivostok Summit and your Peking trip. We strongly doubt that Mao has abandoned his view of the Soviet Union as China's basic security problem. Indeed, we would assert that Mao's desire to institutionalize a basically "anti-revisionist"

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foreign policy line, and to consummate the policy of U.S.-PRC normalization -- with which he is personally identified -- remain as the primary levers impelling him to reach a normalization agreement with us. At the same time, given Chinese fears about the U.S. "standing on China's shoulders" to get at the Soviets, and in view of their past concern about the U.S. being taken in by Moscow on security agreements, you will very likely find Peking on edge about your October discussion in Moscow on SALT and other issues as well as the President's meeting in Vladivostok with Soviet leaders.

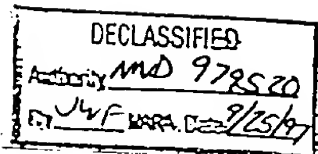
In this regard, it is worth recalling that the top American expert in Peking's Foreign Ministry, Chang Wen-chin, was exiled as Ambassador to Canada for interpreting the 1973 Moscow summit as an indication that the U.S. was colluding more than contending with the Soviets. Mao personally put your protagonist (along with Vice Foreign Minister Ch'iao) in the Shanghai Communique negotiations out to pasture for his misreading of the state of U.S.-Soviet relations (probably as a warning to others). In addition, Nancy Tang cryptically inquired of Ambassador Bush on October 28 whether the U.S. still held to its view that strategic moves -- including a cooperative policy with the PRC -- are necessary to gain time against the Soviet threat. Thus, you will want to consider arguments that can be given to Chinese leaders on this trip which would deflate what we believe will be continuing doubts and concern in Peking about "detente."

The Domestic Dimensions

Domestic factors on both sides have evolved considerably since 1971. Your secret trip was probably an important element in the then subterranean tensions between Lin Piao and the Chairman and Premier. The subsequent coup attempt (if that is what it was) and death of Lin strained a leadership attempting to return to more orderly civilian Party rule after the turmoil of the Cultural Revolution. At present Peking is making a determined effort to pull itself together despite continuing leadership tensions. This appears to reflect the scare which was thrown into the leadership by the illness of Chou En-lai, who has been a major factor in the cohesiveness of the elite.

The anti-Lin/Confucius campaign, which appeared to be pulling the leadership apart during the spring, has now all but subsided in the

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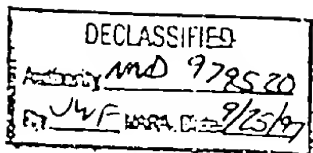
the face of orders from the Chairman to strengthen national unity. We are receiving new indications of an effort to convene the National People's Congress by the end of the year. One African diplomat has said that during his mid-October meeting with Mao the Chairman pointed to Vice Premier Teng Hsiao-p'ing and referred to him as "Chou's successor." Such a development would presumably be formalized by a National People's Congress -- if in fact sufficient political consensus now exists to convene the long-delayed event.

Our admittedly imprecise estimate of the state of leadership relations remains one of a tenuous balance between "moderate" and "radical" Party leaders, with a complicated game progressing in which efforts are being made to both reduce the political power of the military yet to invoke PLA influence in the succession struggle. There is some evidence, in particular, that Mao's wife has appealed to the army for support, although not with notable success. Various personnel changes of the past year affecting the military suggest that Mme. Mao has been unable to translate her influence into hard organizational decisions, but the key test will be the choice of a new Defense Minister if and when the National People's Congress is convened. One or two possible candidates could represent an opening for the Madame, while the choice of Marshal Yeh Chien-ying would indicate strong continuity with the Chairman's past defense line and foreign policy. In any event, we assume that China's internal political tensions -- the lack of a strong leadership consensus -- will limit to some incalculable degree the political flexibility of the aging Mao and ill Chou En-lai as they try to hold the elite together as the day of succession approaches.

We anticipate that the bulk of your political discussions on this trip will be held with Teng Hsiao-p'ing and Ch'iao Kuan-hua -- although Mao undoubtedly will be the active source of authority behind the talks, if not the spokesman on the key issues. Premier Chou may be too ill to see you for anything more than a brief symbolic visit. The Chairman and Premier are probably hypersensitive to the uncertain length of time that remains for each of them on the political stage. They are thus presumably under some personal pressure to see their approach to the U.S. reach fruition and stabilize an anti-Soviet foreign policy before they pass from the scene.

Exactly how much time remains for Mao and Chou is, of course, unknown. It seems likely, however, that either one or both of these

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men will die within the next three to five years. Given the state of tension which evidence suggests now exists between the various personalities and groupings which make up China's central elite, we believe it likely that the passing of Mao and Chou will bring about a period of some conflict among contending leaders. We do not know if this situation will be successfully coped with through efforts to form a collective leadership. It is conceivable that the succession will produce immobilism on contentious policy issues if not serious internal political disorder.

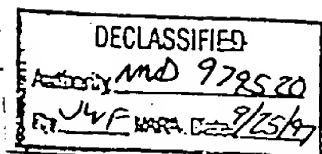
At least it seems prudent to assume that the Chairman -- given his stature and personal identification with the opening to the U.S. -- will be more inclined and able to reach a difficult normalization agreement with us, and to legitimate it, than any likely successor arrangement in the first years after his passing. And by the same token, it will be much easier for a successor to invoke Mao's authority to sustain an arrangement already reached than to venture forth on his own.

As a kind of mirror image of our preceptions of China's internal political scene, we know from SRF reports that Peking has been taken aback by our own internal political travails. The Chinese leadership undoubtedly views with substantially more uncertainty than was the case in 1971 the "American factor" in its efforts to counter the Soviets. The July, 1974 briefing for cadre in Hong Kong, for example, characterized American power as "showing signs of weakening" and stated that China desires a strong and united Western Europe both to counterweight Soviet pressures and even as a possible substitute for the U.S. Current PRC media reporting on the U.S. characterizes the American economy as approaching a point of crisis. A People's Daily article of October 20 paraphrases Alan Greenspan as saying that "the U.S. system and social structure cannot survive under two-digit inflation."

The Chinese will be sizing up the continuity of American policy under a new President, despite reassurances since Mr. Ford took office. In addition, they will probably be factoring into their assessment such elements as the Democratic Party landslide in the Congressional and gubernatorial elections, the increasing assertiveness of Congress in foreign policy, and the heightened public criticism of your personal role.

Furthermore, the serious impact of international economic issues on the West as a whole -- with the massive transfer of resources, political

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weakness, and domestic instabilities -- must be having an impact on Chinese thinking as well. They have publicly applauded the use of oil as a political weapon by the Third World, but privately they must be concerned about the sapping of Western strength vis-a-vis Moscow that is now occurring. Vice Foreign Minister Ch'iao, for example, indicated such a concern in his recent discussion with Ambassador Bush.

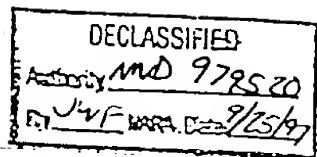
How seriously Chinese leaders really believe Watergate and inflation have curbed American power is unknown. All one can say at this point is that we have no indication from Peking of second thoughts about following through on normalization. If anything, they may see it in their interest to do so more rapidly than on the timetable you have discussed with Chinese leaders thus far (i. e., by late 1975 or the first half of 1976) -- despite comments to the contrary by Chairman Mao and Vice Premier Teng.

The International Framework

There are a number of points of contrast on international issues with the positions Peking took in the summer of 1971. The Chinese now actively encourage close U.S. relations with both Japan and Europe. Peking has completely reoriented its position toward Japan. Fear of renewed militarism, or of Japanese cooperation with the Soviets, has been defused by a combination of Chinese efforts to normalize relations with Tokyo, the now growing prospect that PRC oil resources will enable Peking to develop a significant economic/energy relationship with Japan, and our own continuing good relations with the Japanese, which they now recognize as a useful political and security anchor for a potentially volatile nation.

The Chinese have also taken an increasing interest in Europe. Although PRC bilateral relations with the European states have developed only modestly, despite the continuing visits of high-level leaders in the past three years, the Chinese have increasingly supported Western European unity and a strengthened NATO as counterweights to Soviet influence. They are concerned that Europe is now led by weak politicians, and that the Continent is being lulled by false Soviet appeals for "detente," and that the West is letting down its guard.

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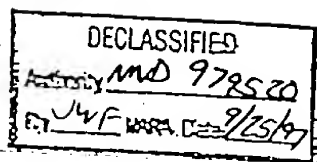
At the same time, as Vice Foreign Minister Ch'iao Kuan-hua told you in early October, Peking is now particularly concerned about South Asia and the Gulf States, the Middle East, and also the Balkan States. The Chinese have repeatedly pressed you for greater levels of military assistance to Pakistan. They are likely to be concerned about the results of your recent visit to the Subcontinent. Peking has tracked us diplomatically in dealings with the Arab states as you have pursued a negotiated resolution of the Arab-Israeli conflict in a way that will minimize Soviet influence in the region. Much of our utility to China rests with your demonstrated effectiveness as a diplomatic catalyst in such areas, although our longer-term relevance clearly remains linked to our ability to counter the Russians in strategic weaponry and to sustain our economic vitality.

Where in 1971 the Vietnam war was the issue of most immediate concern to Peking in the Asian region, the ending of the war has shifted the focus of attention to Cambodia and Korea. The Cambodian question curiously has been a point of substantial political sensitivity in Peking. We assume this is a reflection of a complex of factors: Premier Chou's personal commitment to the now politically-weakened Sihanouk; domestic Chinese pressures for a more "revolutionary" posture regarding the Cambodian "people's war"; and Peking's desire to maintain decent relations with Hanoi on this and other issues. The exact play of forces affecting the Cambodian situation on the eve of your trip to Peking will have been influenced by the outcome of the vote on Khmer representation in the U.N. General Assembly.

As this analysis is being drafted (and we will update it in a separate briefing memo for your trip book as required) there is a reasonable chance that our friendly resolution will win in the U.N., or at least that Sihanouk and the GRUNK will not be seated. You will need to be prepared, however, for the possibility that Sihanouk may have been recognized by the U.N. Therefore the Cambodia paper at Tab of your book deals with both contingencies.

On Korea, Peking's basic concern appears to be to maintain good working relations with Pyongyang -- presumably as a way of limiting Soviet activity on the Peninsula and maximizing its influence on key security issues. By all evidence Peking was severely embarrassed in its relations with both North Korea and other "Third World" friends by Huang Hua's active efforts in the U.N. last year to push through our

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compromise resolution abolishing UNCURK. There are even intriguing, if inconclusive, indications of some political strain between the Chinese and North Koreans, and of some efforts by Pyongyang to move closer to the Russians. What this might portend for the future is unclear, but we do sense an increasingly fluid political situation regarding the influence of China, Russia, and the U.S. on the Korean Peninsula.

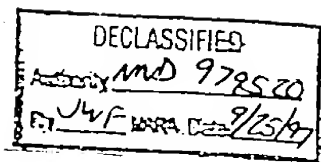
This year the Chinese have taken a very aloof posture on the issue of the U.N. Command, despite earlier indications of an interest in pressing us for a resolution of the UNC question. Ch'iao Kuan-hua's remarks to you in New York last month suggest that Peking feels the situation regarding Korea is basically under control. The Chinese seem willing to risk a "confrontation" in the U.N. both because they feel we have the votes (or veto power) to keep the situation from getting out of hand, and because if they actively press an intransigent Pyongyang and its friends for some form of compromise on the UNC they will further strain their image as a friend of the "Third World."

At the same time, Ch'iao's after-dinner comments implied that he would re-evaluate the situation as the UNGA vote approached. This suggests that if Pyongyang and its supporters change their minds about how to play the UNC issue, Peking will follow their lead and once again provide some behind-the-scenes assistance in working out a compromise resolution or in conveying a North Korean counter-proposal on the future of the UNC. (As with the Cambodian question, we include an analysis of the United Nations Command situation, along with suggestions of what might be done on this issue in Peking, in your briefing book at Tab .)

The Bilateral Connection

In our bilateral relations, your past trips to Peking, the Nixon summit, and an expanded level of official contacts through the Liaison Offices, appear to have established a basic level of confidence and a decent working relationship with the Chinese, especially on international issues. This relationship can be expected to continue, assuming further progress in our political relations. It remains vulnerable, however, to the possibilities of political instability in Peking associated with the leadership transition, and to PRC perceptions of political and economic disarray in the U.S. or a feeling that past understandings are not being upheld. Cultural and scientific exchanges, and trade, have in general sustained

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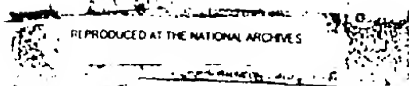
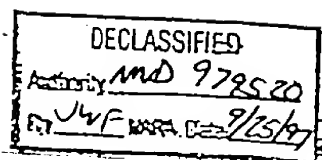
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a positive "China mood" on our side, and have accustomed both sides to a civil working relationship at the "people-to-people" level.

At the same time there are a variety of factors which make it seem likely that any expansion of the exchanges will become increasingly problematic in the absence of further progress at a political level. SRF reporting and even some published PRC media items reveal that cultural and scientific contacts with the U.S. have generated a certain amount of xenophobic criticism in China from left-wing elements who probably are critical of U.S.-PRC normalization as well as foreign influence in their country. Without a breakthrough on normalization it is likely that the PRC will prove increasingly uncooperative in broadening the facilitated exchange program, which -- particularly in the cultural area -- has been used to sustain the positive public mood about the opening to China. (It must be said, however, that even if political progress is made, we do not anticipate any major step forward in exchanges. The present level of contact is about all the Chinese seem up to -- if their pattern of exchanges with "friendly" states is any guide -- given the internal political constraints on foreign contact.) While the PRC to date has conducted its dealings with American society in a largely above-board manner, the fact that Peking recently assisted in the formation of a national association of "friendship groups" in the U.S., which is run by fellow-traveler types, suggests that the Chinese are developing potential avenues of access to American society which they can use for their own purposes.

On the American side, while much of the enthusiasm and naivete about the PRC has dissipated after several years of contact -- particularly among the academics, businessmen, and journalists -- a general fund of good will toward China has been maintained. Interestingly enough, however, the ardor of the news media for a permanent presence in Peking has cooled as the difficulties of life and reporting in the PRC have become evident. We see no public pressure on the issue of press representation, which is probably just as well given Peking's evident distaste for, and distrust of, the American style of journalism and the issue of Taiwan press credentials in the U.S. (All the same, we recommend in a separate briefing paper -- at Tab -- that you raise with the Chinese the question of permanent press representation. This could be a useful way of giving public indication of strengthened U.S.-PRC bilateral ties; and even if the Chinese don't buy the idea, our journalists will appreciate the fact that you raised the issue.)

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Several years of access to China for American academics have disabused many of those who were most enthusiastic about relations with the PRC that an open and intimate relationship was in the offing. Numbers of scholars have been put off by Peking's manipulative practices in granting visas and their generally unforthcoming behavior on exchanges of information. At the same time, should our relations with Peking appear to stall, it is likely that the intellectual community, as well as the media, will project its frustrations with Peking onto the Administration for having "muffed" its opportunity to normalize relations with the PRC, and the China issue will get caught up in the 1976 campaign.

Our economic relations seem to have reached a plateau regarding both the volume of trade and its institutional form. We anticipate about \$1 billion in two-way commerce this year, with the trade weighted in our favor about 7:1 (down from about 10:1 in 1973, largely as a result of some increase in Chinese exports and cancellation or postponement by the PRC of delivery of some of its agricultural purchases).

In the absence of significant movement on the political dimensions of normalization, an institutional breakthrough on economic relations seems doubtful. Peking's harsh rejection in June of our last proposals on the claims/assets issue suggests that in addition to any problems it may have with the details of an agreement, it decided to hold off on a settlement during the present stage of our relationship. This issue might be resolved if we could link it with an offer on MFN which the Chinese viewed as palatable. However, the Trade Bill under consideration by Congress would require the negotiation of an inter-governmental trade agreement which must contain certain specified "comparable benefits" for the U.S. and which would be subject to Congressional review. It is unlikely that the PRC would be willing to negotiate such an agreement until our relations are normalized.

A potential specific problem in the economic area is that imports of PRC-made textiles to the U.S. have reached proportions where we are getting increasing pressure from domestic producers and foreign suppliers with whom we have bilateral constraint agreements. Before long we may be forced to go to the Chinese and ask them to voluntarily restrain exports to the U.S. of certain categories of textiles or face jeopardizing our multinational structure of textile import constraints.

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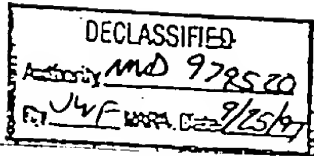
The Objectives and Structure of Your Discussions in Peking

Given the above evaluation of the current state of our relations with the PRC, what should you seek to accomplish on the November trip, and how should you structure your discussions? We assume that you will begin the official discussions with Vice Premier Teng Hsiao-p'ing and Vice Foreign Minister Ch'iao Kuan-hua. At some point in the middle of the visit you will probably have a session with Chairman Mao. Premier Chou conceivably might sit in on this session, although you may have a separate "hospital" meeting with him as has been the case with a number of recent foreign visitors to Peking. A final session or two at the Teng/Ch'iao level will then wrap up details and perhaps draft a communique (although we are not certain that this trip will call for the kind of detailed policy statement which was embodied into the communique released after your November, 1973 visit).

We believe it would be useful to have several counterpart discussions, although frankly there is not a great deal of business to be conducted at this level in the absence of further progress in political matters. In the hope that your initial political level discussions will establish a positive climate for counterpart talks, we suggest that you propose to the Chinese that these sessions be held off until the second full day of the visit -- that is, after your first substantive discussions.

During your November, 1973 discussion with Mao, the Chairman suggested at one point that on your next trip you come prepared to "talk philosophy" with him. We believe the groundwork has now been laid -- by your past trips to Peking, and specifically by your October 2nd dinner meeting with Ch'iao Kuan-hua -- for a discussion with Mao which would reinforce the philosophical underpinnings of our common efforts to oppose Soviet "hegemonism," and emphasize the value to this effort of constructing a durable relationship between the U.S. and PRC which will "stand the test of time." Your initial discussions with Teng and Ch'iao should lay out the specifics of what you and the President feel you can do to "confirm the principle of one China," as well as reiterating our constraints on the issue of a "peaceful transition" for Taiwan. These preliminary talks will then hopefully lead into the Mao session, where the issue of normalization can be dealt with at a fully authoritative and philosophical level.

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To summarize, we see your visit as an opportunity to raise the following issues:

-- Project a sense of the United States and a new Administration determined and capable of maintaining a strong international role. Specifically, allay as best you can possible Chinese concern about our economic and military strength, and national will, the role of Congress, and your personal position.

-- Counter any concerns in Peking about the active level of U.S. official contacts with the Soviet Union, including the next round of SALT negotiations, the prospect of granting the Russians MFN status, and our dealings with Moscow on the Middle East.

-- Test the limits of a normalization agreement which would "confirm the principle of one China," especially as it relates to the issue of a "peaceful transition" for Taiwan and future U.S. contacts with the island. If appropriate, you could relate normalization to a Presidential trip in late 1975 or early 1976.

-- Outline our firm strategy for dealing with the oil question and international economic issues in general.

-- Review the results of your recent trip to the South Asian Sub-continent, including our strategy toward India, efforts to provide military assistance to Pakistan, and our continuing efforts to counter Soviet influence in the region generally (including India, Afghanistan, and the Indian Ocean). Iran's role in this regard should also be treated.

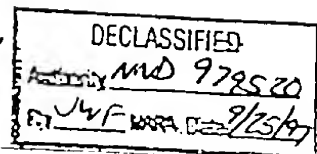
-- Review developments in the Middle East and Gulf States, particularly the negotiating process.

-- Explore prospects for a resolution of the U.N. Command issue and review the general situation in Korea.

-- Explore the possibility for movement on a negotiated resolution of the Cambodia situation.

Bilateral issues appropriately raised in the counterpart discussions are not very numerous, and many of them are contentious from the

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PRC point of view. We suggest that the counterpart talks should deal with the bare minimum of topics, so as to avoid having these issues adversely affect the atmosphere or the substance of your more important political discussions.

Detailed papers are included at the tabs on a wide range of bilateral issues. Depending on your desires, and how your own talks progress, it is possible that you might wish to raise in general terms some of the following topics, which could then be dealt with in detail at the counterpart level:

-- Claims/assets: You could express regret at the substance and tenor of their rejection of our proposal last June, and say we are prepared to resume discussion whenever they wish.

-- MFN: You could reiterate our willingness to discuss MFN once the claims/assets problem is settled. You should mention, however, the probable legislative requirement for an inter-governmental trade agreement which would include "comparable benefits."

-- Exchanges: You could test the water to determine Chinese interest in increasing exchanges, noting that an expansion would help to create a climate of opinion in the U.S. favorable to further normalization.

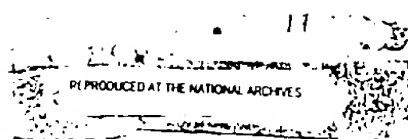
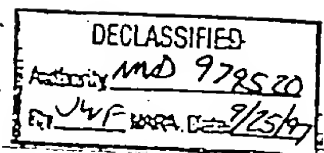
-- American Press Representation in Peking: This should be mentioned, if only to be able to assure the U.S. press after the visit that we had raised the subject.

-- MIAs: Because of continuing Congressional and public interest, we should express appreciation for PRC help on this issue during the November, 1973 trip, again indicate our interest in any information they might have developed during the past year, and express your desire for the return of any remains.

-- Nuclear Reactor Sales: In September you decided that this subject, including the need for an Atomic Energy Cooperation Agreement prior to a sale being approved, should be deferred until your visit to Peking. Hence, you may wish to raise this issue.

-- House Appropriations Subcommittee Visit: During your appearance before the Subcommittee you said that you would lend your personal

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support to a request by the Subcommittee for a visit to the PRC. You should probably make at least a low-key reference to the Subcommittee's interest in a visit.

-- Senator Mansfield's visit to the PRC begins December 7. A separate tab suggests talking points concerning that visit, especially as it might affect the Cambodian problem and Sihanouk.